Quest for depression

Liquidity- why are banks so important to a capitalist society and what happened to the banks in 1929? 2008?

Identify one of the following 3- Emergency banking Act, FDIC- how do they help stabilize the banking system?

What reforms did FDR make to resolve the banking crisis and to help avert a future one?

Basis for negating the AAA and NIRA- supreme court-

Supreme court packing?

Bonus Army

Rugged Indiv.

Hoover

Radicalism

A strong capitalist society relies upon

1. Clear laws delineating ownership
2. Right to buy and sell what you own
3. Price is the primary mechanism to determine who gets what. Demand and scarcity determine the price of a good. (Invisible hand of capitalism). It’s not what is “best” but that which is most wanted which thereby becomes most scarce and will then rise in price.
4. Profit motive acts as an incentive (you make $ on your $)
5. A clear, effective and fair system of laws exists which allows you to protect your property at minimal expense-
6. An active but limited government- Few impediments to starting a business- and a relatively even playing field- incentivizes innovation, provides some goods and services for such items as roads and bridges where it may be difficult to find investors.
   1. For example, Government sets standard for food practices to protect the public from what they can’t know
   2. For example, Government in some cases limits the size of firms because they are monopolizing an industry and acting in non-competitive way.
7. Capitalism is not a “moral” or “immoral” system- consumers vote for the best product with their dollars- government has limited interference.
8. Banking system to store money on behalf of depositors as well as use the money deposited to issue loans to investors who are looking to create new or expand businesses
   1. Banks provide liquidity- depositors provide the bank w/$ and the bank lends it out
   2. Secure place to store $ and a facility to lend money to new enterprises or for purchases
   3. Banks make money by charging interest
   4. No loan is guaranteed to never fail- some loans require collateral-collateral can go down in value
   5. If the cost of non-performing or underperforming loans exceeds the $ coming into the bank, the bank will fail
   6. Banks only keep a small proportion of the monies deposited on hand- all other monies are lent out- that’s how the bank makes $
   7. If everyone comes on the same day to get their money- banks fail
   8. If a bank fails the repercussions can be enormous- vicious circle-> causing other investments and businesses to fail

What happens if people don’t put their money into banks?

Schecter and NIRA

Under what circumstances can the US Supreme Court strike down legislation passed by Congress.

what was the constitutional basis for finding NIRA and Schecter illegal?

The Supreme Court held that the Live Poultry Code was unconstitutional and that the conviction of Schechter must be overturned. First, the Court found that the president lacked the power to write the code, citing the U.S. Constitution, Article I, which states that all legislative power is to be vested in the Congress. Article I is thus violated if Congress grants its exclusive legislative power to the president. The NIRA allowed the president to write new codes, such as the poultry code, so long as they regulated "unfair competition." The Court found the phrase "unfair competition" too ambiguous to constitute an "intelligible principle" necessary to limit the president's actions in enforcing the NIRA. Lacking such a principle, the NIRA effectively allowed the president "unfettered discretion" to create "new laws" without congressional approval.   
  
Second, the Court held that the poultry code violated the Constitution's [Commerce Clause](javascript:word('cc')). The Constitution limits the activities over which Congress may legislate, reserving all other activities for the states to govern. While the Constitution allows Congress to regulate "[interstate commerce](javascript:word('ic'))" under the clause, the Court found Schechter's activities had nothing to do with interstate commerce. Schechter bought poultry from out of state, but its offending conduct was confined to New York State. The activities of Schechter thus fell outside congressional power because they constituted intrastate (in-state) commerce. Additionally, some provisions of the poultry code were found unconstitutional on their face. The effect of a butcher's hours and wage practices on interstate commerce, for example, was found far too "indirect" to be within the congressional powers to regulate under the Commerce Clause.   
  
Schechter Poultry's sweeping interpretations of legislative power had devastating effects on President Roosevelt's New Deal programs in the 1930s. The centerpiece of the New Deal legislation, the NIRA, was essentially declared unconstitutional. Ultimately, President Roosevelt responded by proposing a "court packing" scheme in 1937, allowing a new Supreme Court justice to be appointed for every current sitting justice over the age of 70. The scheme was designed to help tip the Court's ideological balance to Roosevelt's side. It failed in Congress and never became law. By the late 1930s, however, the Supreme Court began reading Congress's powers under the Commerce Clause more broadly. Indeed, by the 1960s, the Court held that congressional statutes outlawing racial segregation in local businesses were constitutional under the Commerce Clause.